

Mission of the Month

INDONESIA

The Challenge

About 5 million acres of Indonesia's forests are logged each year. Some 70 percent of that logging is illegal. This costs the Indonesian government about \$1 billion in taxes and revenues, to say nothing of the huge environmental loss. Much of the logging is driven by the demand for timber and pulp.

The livelihoods of about 30 million people depend on Indonesia's forests, which are among the most biodiverse in the world.

Innovative USAID Program

USAID/Indonesia built an alliance of governments, businesses, and local and international NGOs to simultaneously address illegal logging and market interests.

The alliance aims to increase the supply of Indonesian wood products from well-managed forests, demonstrate practical ways to differentiate legal and illegal supplies on the islands of Java, Sumatra, and Borneo, and strengthen market signals to combat illegal logging. Secondary aims are to reduce access to financing and investment funds for companies engaged in destructive or illegal logging and to share lessons learned with other forested nations.

The Nature Conservancy and the World Wildlife Fund Indonesia are coordinating the alliance, which includes Global Forest Watch, the World Resources Institute, the Tropical Forest Foundation, the Tropical Forest Trust, the Center for International Forestry Research, the U.S. and Indonesian governments, 17 companies, and numerous local NGOs.

Ron Jarvis, Home Depot's Vice



Illegal logging in Indonesia.

President of Merchandising, said that his firm contributed \$1 million in November 2002 toward the alliance—a contribution he characterized as “doing the right thing.”

USAID-funded NGOs will assist retail companies in sourcing “good wood” products. Such “green” sourcing policies act as an incentive for Indonesians to provide legal wood products. To gain preferential access to North America and Europe, available only for legally harvested wood, furniture and other wood product companies in Asia are seeking third-party verification of good wood.

The alliance is promoting investment screening tools to ensure that investment banks, financial analysts, insurers, brokerages, and financiers don't end up playing destructive roles by supporting illegal pulp and paper mills or wood panel plants.

Results

In the island provinces where the alliance is active, the NGOs are engaged directly with companies that provide formal letters of commitment for financial and in-kind support. For

example, Caterpillar, Inc. is providing heavy equipment “to promote the adoption of sustainable forest management and the marketing of sustainably produced forest products.” USAID's contribution was exceeded four-fold by corporate partners and the conservation community.

The alliance has already obtained commitments from the Government of Indonesia, concessionaires, and pulp and paper companies to stop logging in areas of high biodiversity. These areas include Tesso Nilo on Sumatra—believed to contain the highest level of plant biodiversity in the world—and East Kalimantan, the habitat of the last viable population of orangutans in that region.

One pulp and paper company has been refusing to accept illegal logs at its mill. Growing numbers of companies with global sourcing power—such as Home Depot, IKEA, Goldman Sachs, BP, and Carrefour—have joined the alliance. This buying power provides another incentive for Indonesians to ensure that their wood products are legal and responsibly harvested. ★

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